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Supreme Court, U.S.
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IN THE
Supreme Court of the United States
OCTOBER TERM, 1994

MDK, INCORPORATED,
Petitioner,

v.

MIKE'S TRAIN HOUSE, and LIONEL TRAINS, INC.,
Respondents.

Petition for Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Is a discovery order which compels the production of trade secrets and other confidential, commercial information a final order and, therefore, appealable pursuant to 28 U.S.C. § 1291 (1982), or, if not, is it subject to a judicially created exception?

PARTIES TO THE PROCEEDING

Petitioner MDK, Inc. is a North Carolina corporation. MDK is not a party to the underlying action which is currently pending in the United States District Court for the Eastern District of Michigan. Pursuant to this Court's Rule 29.1, petitioner notes that it has one (1) directly owned subsidiary, K-Line Electric Trains, Inc.

Respondent Mike's Train House, Inc. is a Maryland corporation and is the Plaintiff in the underlying action.

Respondent Lionel Trains, Inc. is a Michigan corporation and is the Defendant in the underlying action.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
PARTIES TO THE PROCEEDING	ii
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	2
STATUTE INVOLVED	2
STATEMENT OF THE CASE	3
REASONS FOR GRANTING THE WRIT	8
I. THE DECISION OF THE FOURTH CIRCUIT IS IN CONFLICT WITH THE STANDARD ESTABLISHED BY THIS COURT	9
II. THE DECISION OF THE FOURTH CIRCUIT IS IN CONFLICT WITH THE DECISIONS OF SEVEN OTHER CIRCUITS	11
III. THE DECISION OF THE FOURTH CIRCUIT IN *MIKE'S v. MDK* CONFLICTS WITH PRIOR DECISIONS IN THE FOURTH CIRCUIT	17
CONCLUSION	19
APPENDIX	1a

TABLE OF AUTHORITIES

CASES — Page

A&T v. Grady, 594 F.2d 594 (7th Cir. 1978) 17
Alexander v. United States, 201 U.S. 117 (1906) 9
Arthur Anderson v. Finesilver, 546 F.2d 338 (1977) 14
Caswell v. Manhattan Fire, 339 F.2d 417 (5th Cir. 1968) 16
Centurion Industries v. Warren Steurer & Associates, 665 F.2d 323 (10th Cir. 1981) 15
Cohen v. Beneficial Industrial Loan Corp., 337 U.S. 541 (1949) 8, 9, 10, 11
Covey Oil Company v. Continental Oil Company, 340 F.2d 993 (10th Cir. 1965) 12, 13
Di Bella v. United States, 369 U.S. 121 (1962) 10
FTC v. Alaska Land Leasing, Inc., 778 F.2d 577 (10th Cir. 1985) 14
Gaines v. Davis, 928 F.2d 705 (1991) 14
Gillespie v. United States Steel Corp., 379 U.S. 148 (1964) 10
North Carolina Association of Black Lawyers v. North Carolina Board of Law Examiners, 538 F.2d 547 (4th Cir. 1976) 17
Ochsner v. Millis, 382 F.2d 618 (6th Cir. 1967) 17
Premium Service Corp. v. Sperry & Hutchinson Company, 511 F.2d 225 (9th Cir. 1975) 17
In Re Rafferty, 864 F.2d 151 (D.C. Cir. 1988) 17
Smith v. Bic Corporation, 869 F.2d 194 (3rd Cir. 1989) 15
Southern Methodist University Association v. Jaffee, 599 F.2d 707 (5th Cir. 1979) 14
Texaco, Inc. v. Louisiana Land and Exploration Co., 995 F.2d 43 (5th Cir. 1993) 16
Turtle Creek Square, Ltd. v. New York State Teachers' Retirement System, 404 F.2d 31 (5th Cir. 1968) 16
United States v. American Telephone & Telegraph Company, 642 F.2d 1285 (D.C. Cir. 1980) 17
United States v. Columbia Broadcasting System, 666 F.2d 364 (9th Cir. 1982) 10, 17
United States v. Ryan, 402 U.S. 530 (1971) 14

TABLE OF AUTHORITIES—Continued

STATUTES

	Page
28 U.S.C. 1254(1) (1988)	2
28 U.S.C. 1291 (1982)	3
28 U.S.C. 1331 (1980)	3
28 U.S.C. 1332 (1988)	3
28 U.S.C. 1337 (1983)	3
15 U.S.C. § 2 (1985)	3

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PETITION FOR WRIT OF CERTIORARI

Petitioner MDK, Inc. ("MDK") prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Fourth Circuit entered in the above-entitled case on June 22, 1994. The judgment entered by the Fourth Circuit is in direct conflict with decisions issued by this Court, seven other circuit courts and its own previous decisions on an important question of federal law.

OPINIONS BELOW

The initial unreported decision of the United States District Court for the Middle District of North Carolina in this matter was issued on July 28, 1993, by the Honorable P. Trevor Sharp, U.S. Magistrate Judge, and is reprinted in the Appendix at p. 11a. On August 10, 1993, pursuant to Rule 72 of the Federal Rules of Civil Procedure, MDK filed objections to Magistrate Sharp's Order and requested a rehearing. On August 17, 1993,

the Honorable Richard C. Erwin issued an order (reprinted in the Appendix at p. 15a) confirming Magistrate Sharp's Order. (Magistrate Sharp's and Judge Erwin's Orders are collectively referred to as the "District Court Order.")

On November 17, 1993, the Fourth Circuit issued an unpublished decision (reprinted in the Appendix at p. 16a) denying Plaintiff-Respondent Mike's Train House Inc.'s Motion to Quash or Dismiss the Appeal. On June 22, 1994, the Fourth Circuit issued a published opinion (reprinted in the Appendix at p. 1a and reported at 27 F.3d 116) dismissing MDK's appeal (hereinafter referred to as *MDK v. Mike's*).

JURISDICTION

This Court has jurisdiction to review the judgment of the Fourth Circuit in *MDK v. Mike's* entered June 22, 1994, pursuant to 28 U.S.C. § 1254(1) (1988). MDK filed a Suggestion for Rehearing In Banc on July 12, 1994, which was denied on July 14, 1994.[1]

STATUTE INVOLVED

Title 28 of the United States Code, Section 1291, provides: "the Court of Appeals (other than the United States Court of Appeals for the Federal Circuit) shall have jurisdiction of appeals from all final decisions of the district courts of the United States, United States District Court for the District of the Canal Zone, the District

[1] MDK filed a Suggestion for Rehearing In Banc on July 12, 1994 along with a Motion for Leave to File the Suggestion for Rehearing In Banc One Day Out of Time. At the direction of the Clerk of Court for the Fourth Circuit, MDK resubmitted the Motion for Leave to File the Suggestion for Rehearing, asking for an extension of time of six days. The discrepancy in time between the Motions was the result of MDK's counsel calculating the due date of the suggestion with three (3) additional days for mail pursuant to F.R.A.P. 26(c). The Motion was denied on July 14, 1994.

Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court. The jurisdiction of the United States Court of Appeals for the Federal Circuit shall be limited to the jurisdiction described in Sections 1292(c) and (d) and 1295 of this title." 28 U.S.C. § 1291 (1982).

STATEMENT OF THE CASE

Petitioner MDK, Inc. ("MDK") is a small, privately-held corporation located in Hillsborough, North Carolina. MDK manufactures and sells model trains and train products, including O-gauge trains and products. MDK was established in 1979 by Maury D. Klein. Mr. Klein is still the sole shareholder and president of MDK.

Plaintiff-Respondent Mike's Train House, Inc. ("Mike's") and Defendant-Respondent Lionel Trains, Inc. ("Lionel") are also manufacturers and sellers of O-gauge model trains and train products and are direct competitors of MDK in the O-gauge market. (Appendix, p. 2a.)

This matter arises out of litigation currently pending in the District Court for the Eastern District of Michigan (the "Michigan Litigation"). (Appendix, p. 2a.) Mike's brought the action in the Michigan Litigation against Lionel alleging, *inter alia*, violations of § 2 of the Sherman Act, 15 U.S.C. § 2 (1985). Mike's alleges that Lionel has monopolized the market for O-gauge model trains and train products. (Appendix, p. 2a.) Jurisdiction in the underlying action is based on 28 U.S.C. § 1331, 1332, 1337.

MDK is not a party to the Michigan Litigation, but was served with a subpoena *duces tecum* from Mike's [2] ("Mike's Subpoena") seeking the following information:

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[2] Mike's initially served two subpoenas on MDK. The first was incorrectly issued from the Eastern District of Michigan, Southern Division, to "K-Line Manufacturing Company," which is not a corporate entity. After MDK's counsel notified Mike's counsel of

1. The complaint and all deposition transcripts and exhibits thereto in the litigation *MDK v. General Mills, et al.*, C-79-611 D (M.D. North Carolina.)

2. Documents setting forth MDK (and K-Line's) yearly sales of O gauge train products (including O-27) for each year 1986 through and including the present.

3. The revenue received by MDK and/or K-Line on a yearly basis and on a product-by-product basis for selling each MDK or K Line product that is in the following classes or categories of model trains or train equipment for years 1986-1992:

A. Steam engines

B. Diesel engines

C. Passenger cars

D. Freight cars

E. Train sets

F. Train tracks (straight and curved)

4. The invoice cost of each product in paragraph (3) above.

5. All MDK and K-Line price lists for years 1986-92.

6. Product brochures for each product in ¶ 3 above.

MDK is a resident of the Middle District and, therefore, Mike's Subpoena was issued from the District Court

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the defects in the initial subpoena, Mike's counsel reissued the subpoena on July 6, 1993, from the Middle District of North Carolina to MDK. Mike's reissued the subpoena a third time pursuant to the District Court Orders. Lionel also issued a subpoena *duces tecum* to MDK. However, as presently governed by the District Court Orders, MDK has no documents coming within Lionel's subpoena. Mike's subpoena is the only subpoena currently outstanding.

for the Middle District of North Carolina, Greensboro Division, pursuant to Rule 45 F.R. Civ. P. MDK moved to quash Mike's Subpoena and for a protective order on the grounds that the information sought was MDK's trade secrets and other highly confidential, commercial information. (Appendix, p. 2a-3a.)

It is uncontested that: (1) the subpoenaed information constitutes trade secrets [3]; (2) Mike's and Lionel are direct competitors of MDK in the O-gauge model train market (Appendix, p. 2a); and (3) MDK will be irreparably harmed if its confidential commercial information and trade secrets are disclosed to Mike's, Lionel or the general public (Appendix at p. 13a).

Mike's and Lionel are already embroiled in litigation alleging monopolization and attempts to monopolize and other Sherman Act violations by Lionel. Mike's now seek to discover confidential business information from a third competitor, MDK. The information requested includes very specific information about MDK's position in the market in which it competes with Mike's and Lionel: MDK's yearly sales of O-gauge trains and products, revenue received by MDK on a yearly basis and on a product-by-product basis, invoice costs, price lists and product brochures for cash product.[4] (Appendix, p. 19a.)

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[3] The District Court found as a fact that the information sought by Mike's Subpoena is "MDK's confidential information." (Appendix, p. 13a.) Mike's acknowledged to the District Court that the information it seeks from MDK is "understandably considered very sensitive." Lionel not only acknowledged this fact, it sought similar protection from discovery by Mike's of precisely the same information in the Michigan Litigation, arguing that disclosure of the information would give Mike's an unfair advantage and would be harmful to Lionel's business.

[4] With this information, Mike's and Lionel can determine MDK's margins, profits, relative product sales and marketing strategies. The subpoenaed information would disclose MDK's suppliers and amounts paid to those suppliers which, when coupled with the other information requested in Mike's Subpoena, would allow Mike's and Lionel to gain a competitive advantage in negotiating with MDK's

As a small, privately-held corporation, MDK seeks to keep this information confidential and has a compelling need to do so. If it does not, its direct competitors, including Mike's and especially Lionel, who is alleged to control approximately eighty-five percent of this market, will gain a competitive advantage from the intimate knowledge of MDK's market and financial position which could potentially be used to force MDK out of the market and out of business.

Despite this uncontested evidence weighing against disclosure, and the failure of Mike's and Lionel to make the showing required by Rule 45 of the Federal Rules of Civil Procedure, Magistrate Sharp entered an order directing MDK to comply, in part, with Mike's Subpoena, subject to a confidentiality order.

The Magistrate attempted to mitigate the potential harm to MDK in producing of its confidential, commercial information and trade secrets by requiring a strict confidentiality order. (Appendix, p. 13a.) However, the evidence before the District Court showed that even the strictest of confidentiality orders would not protect MDK. Because MDK is not a party to the Michigan Litigation it will have no control over how its information is used or presented in that litigation. MDK, as a non-party, will have no standing to object if the information is presented in a manner which harms MDK.[5]

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suppliers, distributors and customers, again resulting in a significant competitive advantage.

[5] MDK cannot control who attends the trial in Michigan. Employees and owners of Mike's and Lionel will certainly attend and it is reasonable to assume that MDK's other direct competitors in the O-gauge market will attend as well. The Magistrate recognized the necessity of "prevent[ing] disclosure of MDK's confidential information to employees, of either Lionel or Mike's Train House or the general public." (Appendix, p. 13a.) Nevertheless, a Magistrate in the Middle District of North Carolina cannot dictate by way of a confidentiality order who can be present at the trial in the Michigan Litigation. Once MDK's confidential, commercial information

On August 10, 1993, pursuant to Rule 73 of the Federal Rules of Civil Procedure, MDK filed objections to the Magistrate's Order and requested a rehearing. On August 17, 1993, the Honorable Richard C. Erwin issued an order affirming the Magistrate's Order. (Appendix, p. 15a.) On September 7, 1993, MDK filed a Notice of Appeal and Motion for Stay from the District Court Order and subsequently filed a Motion for Stay in the Fourth Circuit. Both were denied.

On October 18, 1993, Mike's filed a Motion to Quash or Dismiss MDK's Appeal to the Fourth Circuit. On November 17, 1993, the Fourth Circuit issued an order denying Mike's Motion to Quash or Dismiss the Appeal and allowed the appeal to proceed on its merits. (Appendix, p. 16a.) No petition for rehearing was ever filed by Mike's. Nevertheless, in its Appellate Brief, filed on December 22, 1993, Mike's renewed its motion to dismiss the appeal.[6]

Notwithstanding the fact that the Fourth Circuit had previously denied the Motion to Dismiss, it dismissed the appeal in its decision in *MDK v. Mike's* issued June 22, 1994. The Fourth Circuit stated that "the question before us is whether this court has jurisdiction to review a district court decision compelling a company to submit to

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and trade secrets are disclosed, the information will no longer be a trade secret and the damage to MDK's business will be done, regardless of any confidentiality order which might be entered by the Magistrate.

Moreover, this danger of disclosure, despite a strict confidentiality order, was further supported by evidence of inadvertent disclosures of confidential information which have already occurred in the Michigan Litigation itself.

[6] Such a motion made within the context of an Appellate Brief does not comport with the Federal Rules of Appellate Procedure, the Local Rules or the Internal Operating Procedures of the Fourth Circuit. The renewed motion was not properly before the Fourth Circuit and should not have been considered.

discovery where it is not a party to the underlying litigation. Because we find that this non-final discovery order does not fall under the collateral order exception of *Cohen v. Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949), we dismiss the appeal for want of jurisdiction." (Appendix, p. 2a.) However, appealability of the District Court Order was not the issue before the court on appeal.[7]

REASONS FOR GRANTING THE WRIT

The standard for "finality" for purposes of determining the appealability of a discovery order is a fundamental and important question of federal law. In *MDK v. Mike's*, the Fourth Circuit has applied a standard that sharply conflicts with (1) the standard applied by this Court, (2) the standard applied in the other circuits, and (3) the standard previously applied in the Fourth Circuit. As

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[7] The Statement of Issues Presented for Review as set forth in MDK's Appellate Brief to the Fourth Circuit is as follows:

> I. Did the U.S. Magistrate Judge P. Trevor Sharp commit reversible error by entering the order against MDK, Inc. on July 28, 1993, in that the order is contrary to law, includes findings not supported by the record, compels the production by MDK of trade secrets and highly sensitive, proprietary and commercial information, and constitutes an abuse of discretion by Magistrate Judge Sharp?
>
> II. Did the United States District Court for the Middle District of North Carolina, Greensboro Division, commit reversible error in its order of August 17, 1993, affirming the Order entered by U.S. Magistrate Judge P. Trevor Sharp, dated July 28, 1993, in that the Magistrate's Order is contrary to law, includes findings not supported by the record, compels the production of documents by MDK, Inc. which are trade secrets and highly sensitive proprietary and commercial information, and constitutes an abuse of discretion by the District Court?

The Statement of Issues contained in Mike's Appellate Brief to the Fourth Circuit is as follows:

> 1. Did the District Court abuse its discretion or commit an error of law in enforcing Mike's Train House's subpoena *duces tecum* served upon MDK, Inc.?

with other federal statutes that have raised similar issues and engendered conflicting interpretations, this important federal question merits resolution by this Court.

I. THE DECISION OF THE FOURTH CIRCUIT IS IN CONFLICT WITH THE STANDARD ESTABLISHED BY THIS COURT

In 1906, this Court in *Alexander v. United States,* 201 U.S. 117 (1906), held that an order compelling testimony and the production of documents was not appealable as a final decision absent a finding of contempt for failure to obey the discovery order. This is commonly referred to as the "acid test." The early rule as set forth in *Alexander* has, however, evolved over time and this Court and the federal circuit courts now recognize specific exceptions to the *Alexander* rule.

In *Cohen v. Beneficial Industrial Loan Corp.,* 337 U.S. 541 (1949), this Court reexamined its holding in *Alexander* and held that "an order which conclusively determines an important right separate from the main controversy is immediately appealable if it is effectively unreviewable in an appeal from the final judgment." In *Cohen* this Court recognized that in certain instances, if review of a decision is delayed, "it will be too late effectively to review the present order and the rights . . . will have been lost, probably irreparably." *Cohen,* at 545. In order to alleviate the hardships resulting from the inflexibility of the *Alexander* rule, *Cohen* set forth three requirements for determining finality which must be met in order for a decision to be appealable.[8]

The *Cohen* requirements for finality, known as the "collateral order doctrine," have been followed by this

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[8] (1) The right asserted must be separable from and collateral to the rights asserted in the main action;

(2) The decision must be too important to be denied review; and

(3) The decision must be too independent of the main action to require that appellate consideration be deferred until the whole case is adjudicated. *Id.*

Court in many subsequent decisions. In *Gillespie v. United States Steel Corp.*, 379 U.S. 148 (1964), this Court stated that "it is impossible to devise a formula to resolve all marginal cases coming within what might be well called the 'twilight zone' of finality. Because of this difficulty, the Court has held that the requirement of finality is to be given a 'practical rather than technical consideration.' " *Id.* (citing *Cohen* at 546). In *Gillespie*, this Court pointed out that in determining finality the most important considerations are the "inconvenience and cost of piecemeal review on the one hand and the danger of denying justice on the other." *Gillespie* at 153. *See also Di Bella v. United States*, 369 U.S. 121 (1962) (recognizing exceptions to general principle of finality).

The purpose of the finality rule is to promote efficiency and prevent piecemeal review. *See United States v. Columbia Broadcasting System*, 666 F.2d 364 (9th Cir. 1982). *Cohen* states that the purpose of the finality rule "is to combine in one review all stages of the proceeding that effectively may be reviewed and corrected if and when final judgment results." *Cohen* at 546.

This Court and the federal circuit courts are understandably concerned with maintaining efficiency in the court system. However, efficiency will not be lost or in the least frustrated by MDK's appeal. Because Mike's Subpoenas issued from the Middle District of North Carolina, where MDK is a resident, MDK's appeal from the District Court Orders must be heard in the Fourth Circuit. MDK is not a party to the Michigan Litigation and, therefore, will have no right of appeal from a final order in that court. Thus, MDK's appeal will, in any event, be reviewed separately in the Fourth Circuit. While efficiency will not be lost if the appeal is heard now, MDK stands to lose its trade secrets if the appeal is not heard now.

The Supreme Court in *Cohen, Columbia* and subsequent decisions, has held that the purpose of the finality rule must be weighed against the potential harm to the

appellant if the appeal is dismissed. Here, the balance clearly weighs in favor of allowing MDK's appeal. The Fourth Circuit failed to apply or even consider this standard as established by this Court in *Cohen* and *Columbia*. The Fourth Circuit's decision in *MDK v. Mike's* allows for no exceptions to the finality rule for discovery orders. The only avenue of appeal from a discovery order recognized by the Fourth Circuit is from an order of contempt. This standard is in direct conflict with the standard established by this Court.

II. THE DECISION OF THE FOURTH CIRCUIT IS IN CONFLICT WITH THE DECISIONS OF SEVEN OTHER CIRCUITS

Seven other circuits following *Cohen* have recognized specific exceptions to the finality rule under the same or similar circumstances as are present here. These exceptions, including the exception for trade secrets, are based on the collateral order doctrine as established by *Cohen*. They are not separate and distinct bases for relief from the finality rule, as the Fourth Circuit has incorrectly stated. This misstatement or misinterpretation of a material point of law by the Fourth Circuit in and of itself warrants a review by this Court.

The Fourth Circuit misinterpreted MDK's argument on the appealability issue, stating:

> MDK nonetheless contends that the discovery ruling here is reviewable and advances two bases for appellate jurisdiction. First, MDK argues that because Mike's seeks discovery of MDK's trade secrets, a review of the discovery decision is proper at this time. Second, MDK maintains that the district court's decision constitutes a collateral order reviewable under the doctrine enunciated in *Cohen v. Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949). We hold that neither of these rationales confer jurisdiction upon this court to review the order below.

(Appendix, p. 5a.)

MDK does not advance two bases for appellate jurisdiction. MDK's position is that this Court recognized in *Cohen* there must be exceptions allowed to the harsh finality rule established in *Alexander*, and that the decisions of the circuit courts recognizing exceptions to the finality rule are not separate and distinct from *Cohen*, but rather, are interpretations and applications established by the standard established by this Court in *Cohen*.

The Third, Fifth, Sixth, Seventh, Ninth, Tenth, and District of Columbia Circuits have applied *Cohen* in recognizing exceptions to the finality rule for orders compelling the production of trade secrets from non-parties and in other similar circumstances.

The leading case recognizing a specific exception for trade secrets is the Tenth Circuit's decision in *Covey Oil Company v. Continental Oil Company*, 340 F.2d 993 (10th Cir. 1965). Following this Court's reasoning in *Cohen*, the Tenth Circuit found that questions of appealability must be decided on the particular facts of each case and not by an inflexible rule such as in *Alexander*. *Id.* Applying this reasoning, the Tenth Circuit recognized an exception to the finality rule for decisions compelling the production of trade secrets. *Id.* Despite the Fourth Circuit's questioning of the *Covey* decision in *MDK v. Mikes'*, *Covey* has not been reversed or overruled and continues to be followed in the Tenth Circuit, as well as several other circuits.

In *Covey*, the information sought, by way of a subpoena *duces tecum*, was from non-party independent oil marketers and sought the production of documents showing their purchase price of gasoline, sale prices, quantities sold, and the number and location of their service stations. *Id.* at 995. The underlying litigation involved an action against several major oil companies for alleged violations of anti-trust laws, restraint of trade, monopoly, price fixing and suppression of competition. The non-party appellants sought to quash the subpoenas on the grounds that

the information sought constituted trade secrets. As in *MDK v. Mike's*, the district court in *Covey* attempted to mitigate the potential harm by imposing a confidentiality order, making the documents available only to counsel and independent experts and forbidding the use of the material for business or competitive purposes. *Id.* at 998. In *Covey*, the grounds for the appeal were that (1) if the appellants were forced to disclose their confidential, commercial information and trade secrets, they would suffer irreparable harm, (2) postponement of review might destroy the claimed right and (3) as non-parties, they would have no right of appeal from the judgment therein. *Id.* at 996. The Tenth Circuit allowed the appeal holding that the appellants' claims were severable from the main action and the practical effect of the order would be irreparable by any subsequent appeal.

Precisely the same grounds for appeal are present here. First, the information sought is, without question, MDK's confidential, commercial information and trade secrets. In fact, exactly the same information sought in *Covey* is sought here. Disclosure of this information may irreparably harm MDK.

Second, MDK's claim is clearly severable from the issue in the main action (i.e., the relevance of MDK's information to Mike's claim against Lionel), and, as in *Covey*, the practical effect of the District Court Order will be irreparable by any subsequent appeal. Once MDK's trade secrets have been disclosed, the appeal will be moot and the harm will have been done.

Third, MDK is not a party to the Michigan Litigation and, therefore, will have no right to appeal from the final judgment in there. MDK's only avenue of appeal is to this Court.

The Fourth Circuit in *MDK v. Mike's* states that "subsequent events [to *Covey*] have undermined that ruling, and the Tenth Circuit itself recognizes that the 'Supreme Court has indirectly overruled the *Covey* exception mak-

ing it no longer viable.' " (Appendix, at 5a, citing *FTC v. Alaska Land Leasing, Inc.*, 778 F.2d 577, 578 (10th Cir. 1985) and *United States v. Ryan*, 402 U.S. 530 (1971).) This is an incorrect interpretation of *FTC* and *Ryan*. *FTC* states that this Court's decision in *Ryan* when coupled with its decision in *Alexander* indirectly overrules *Covey*. However, this Court in *Cohen* re-examined its holding in *Alexander* and specifically recognized exceptions to the finality rule. Additionally, *Ryan* is not applicable to the facts in *Covey* nor is it applicable to the facts at hand.

In *Ryan* the appellant objected to the production of documents pursuant to a Grand Jury subpoena on the grounds that the subpoena was unduly burdensome. The information sought was not trade secrets nor was it confidential. This Court in *Ryan* specifically stated that "[o]nly in the limited class of cases where denial of immediate review would render impossible any review whatsoever of an individual's claim that we allowed exceptions to the principal [finality rule]." *Ryan*, 402 U.S. at 533. It is clear that this Court denied the appeal in *Ryan* solely for the reason that the appellate's claim did not fall within one of the recognized exceptions, such as discovery of trade secrets. *Id.*

Indeed, in several instances subsequent to this Court's decision in *Ryan* the Tenth Circuit has specifically cited and followed *Covey* for the proposition that an exception to the general rule exists where an order is collateral, fairly separable from the main litigation, and relates to a non-party who shows irreparable injury.[9]

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[9] *Arthur Anderson v. Finesilver*, 546 F.2d 338 (1977). *See also Gaines v. Davis*, 928 F.2d 705 (1991) (holding that immediate appeal may be taken from a limited class of interlocutory orders which "finally determine claims of rights separable from, and collateral to, the rights asserted in the action, too important to be denied review and too independent of the cause itself to require that appellate consideration be deferred until the whole case is adjudicated' "); *Southern Methodist University Association v. Jaf-*

The Tenth Circuit would not continue to cite and follow *Covey* if *Ryan* had overruled it. However, if this Court in *Ryan* did in fact intend to overrule *Covey*, that fact is obviously not clear to the circuit courts, which continue to cite and rely on *Covey*. Clarification of this Court's reasoning in *Ryan* is appropriate in light of the conflict and confusion between the circuits.

The Third Circuit, in *Smith v. Bic Corporation*, 869 F.2d 194 (3rd Cir. 1989), has recently addressed the issue of the appealability of an order compelling production of trade secrets. Significantly, *Bic*, which recognized an exception to the finality rule for discovery orders compelling production of trade secrets, was decided after both *Ryan* and *FTC*.

In *Bic*, the appellant sought an appeal from an order compelling production of its trade secrets. *Bic*, at 94-195. The Third Circuit followed the analysis set forth in *Cohen* and *Covey* holding that

> 1) the denial of Bic's motion for protective order 'conclusively determines' that Bic must disclose its design, safety test, and other accident or complaint information to Smith without any choice as to how the information will be disseminated; 2) the denial resolves issues totally separate from the merits of the case since we can evaluate whether or not a design is a trade secret without reaching the merits of whether or not it is a design defect; and 3) the order will be 'effectively unreviewable' after judgment because once trade secrets are made public, they can obviously never be 'secrets' again. We conclude that

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fee, 599 F.2d 707 (5th Cir. 1979) (allowing an appeal from a court order requiring the disclosure of the identities of anonymous lawyers where the court found that postponement of review until final judgment would risk irreparable injury to the rights of the appellant); and *Centurion Industries v. Warren Steurer & Associates*, 665 F.2d 323 (10th Cir. 1981) (holding that the Fourth Circuit has jurisdiction to hear an appeal from an order compelling the production of trade secrets).

> we have jurisdiction to hear Bic's appeal from the District Court's denial of its motion for protective order. *Id.* at 198-199 (emphasis added).

The same rationale is applicable here: (1) the District Court Order denying MDK's motion for protective order and requiring production of its trade secrets conclusively determined MDK's rights; (2) the District Court Order resolves issues totally separate from the merits of the Michigan Litigation since an appeal of the discovery order could determine whether or not information sought is a trade secret without reaching the merits of whether it is relevant to the issues in the Michigan Litigation; and (3) the District Court Order will be effectively unreviewable after judgment in the Michigan Litigation because, once MDK's trade secrets are disclosed, MDK's appeal will be moot and the harm will be done.

The Fourth Circuit declined to rely on *Bic,* citing *Texaco, Inc. v. Louisiana Land and Exploration Co.,* 995 F.2d 43 (5th Cir. 1993) for the proposition that *Bic* runs contrary to the law of most other circuits. This is not the holding in *Texaco.* On the contrary, *Texaco* cites the Third Circuit's holding in *Bic,* allowing an exception to the finality rule, and several other circuits as support for allowing the "governmental privilege" exception to the finality rule.

Furthermore, *Bic* has not been reversed or overruled within the Third Circuit or by this Court. Thus, the Fourth Circuit's statement with respect to the conflicts between the circuits simply underscores the need for a final review and determination of the issue by this Court.

In *Caswell v. Manhattan Fire,* 339 F.2d 417 (5th Cir. 1968), the Fifth Circuit followed the *Cohen* holding that "a non-party may appeal an order denying his motion to quash when under the circumstances he would be otherwise denied an effective mode of review." Similarly, in *21 Turtle Creek Square, Ltd. v. New York State Teachers' Retirement System,* 404 F.2d 31 (5th Cir. 1968),

the Fifth Circuit, again following *Cohen*, held that orders which determine substantial rights of the parties which, if not promptly reviewed, will subject the appealing party to irreparable harm are final and appealable. These decisions by the Fifth Circuit have been neither reversed nor overruled in the Fifth Circuit or by this Court.

The Circuit Court of Appeals for the District of Columbia, and the Sixth, Seventh and Ninth Circuits have also allowed appeals from discovery orders. *See e.g., AT&T v. Grady*, 594 F.2d 594 (7th Cir. 1978) (following *Covey* in allowing an appeal from an order compelling the production of documents from a non-party); *Ochsner v. Millis*, 382 F.2d 618 (6th Cir 1967) (allowing an appeal from a discovery order denying discovery); *Premium Service Corp. v. Sperry & Hutchinson Company*, 511 F.2d 225 (9th Cir. 1975) (allowing an appeal from a discovery order compelling production of documents from a non-party); *In Re Rafferty*, 864 F.2d 151 (D.C. Cir. 1988); *United States v. American Telephone & Telegraph Company*, 642 F.2d 1285 (D.C. Cir. 1980); and *United States v. Columbia Broadcasting System*, 666 F.2d 364 (9th Cir. 1982) (applying *Cohen* in holding that an order denying a non-party witnesses' motion for reimbursement of costs incurred in supplying subpoenaed documents in an anti-trust case fell within the collateral order doctrine of *Cohen* and was, therefore, appealable.

Review by this Court is necessary to resolve the conflict between the circuits.

III. THE DECISION OF THE FOURTH CIRCUIT IN *MIKE'S v. MDK* CONFLICTS WITH PRIOR DECISIONS IN THE FOURTH CIRCUIT

Prior to its holding in *MDK v. Mike's*, the Fourth Circuit adopted and followed both *Cohen* and *Covey*. In *North Carolina Association of Black Lawyers v. North Carolina Board of Law Examiners*, 538 F.2d 547, 549 (4th Cir. 1976) the Fourth Circuit recognized the *Covey* exception and stated with approval that "[t]he right to

appeal was accorded [in *Covey*] because the ordered discovery might have divulged trade secrets, and this result would have been fatal to the interests of the discovered witnesses, non-parties to the litigation and without other safeguard." There, the Fourth Circuit declined to apply *Covey* because the discovery sought did not constitute trade secrets, nor confidential information. *Id.* Significantly, *North Carolina Association of Black Lawyers* was decided by the Fourth Circuit after *Ryan*, which the Fourth Circuit now cites as having overruled *Covey*.

The Fourth Circuit in the case at hand should have followed the *Covey* exception as recognized by it in *North Carolina Association of Black Lawyers.* However, it failed to do so and failed to even cite or refer to its opinion in *North Carolina Association of Black Lawyers.*

Additionally, the decision in *MDK v. Mike's* conflicts with the Fourth Circuit's previous decision denying Mike's Motion to Dismiss or Quash the Appeal and allowing the appeal to proceed on its merits. MDK respectfully contends that there apparently is confusion between the Judges currently sitting in the Fourth Circuit as to the applicable standard as established by this Court. The first decision denying the Motion to Dismiss or Quash the Appeal was "entered at the direction of Judge Sprouse, with the concurrence of Judge Hall and Judge Wilkinson." (Appendix, p. 16a.) The opinion in *MDK v. Mike's*, dismissing the appeal, was written by Judge Wilkinson, in which Judge Russell and Judge Hamilton joined.

A review by this Court is necessary to secure and maintain the uniformity of decisions within the Fourth Circuit.

CONCLUSION

This Court clearly recognizes exceptions to the finality requirement set forth in 28 U.S.C. § 1291. A majority of the federal circuit courts, including the Fourth Circuit, have specifically recognized an exception for an order compelling trade secrets from a non-party.

It is undisputed that the information sought from MDK constitutes MDK's confidential, commercial information and trade secrets. The District Court Order is, without question, final under the *Cohen* requirements for finality and should come within the recognized exception for discovery orders compelling the production of trade secrets. MDK will suffer irreparable harm if its appeal is dismissed and MDK will have no other right to a review of the District Court Order.

For the foregoing reasons, MDK respectfully requests that the Petition for Writ of Certiorari be granted.

Respectfully submitted,

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